

UNC Modification	At what stage is this document in the process?
<h1>UNC 0724 (Urgent):</h1> <h2>Amendment to Ratchet charges during COVID-19 period</h2>	<div style="display: flex; flex-direction: column; gap: 5px;"> <div style="border: 1px solid green; background-color: #008000; color: white; padding: 2px; display: flex; align-items: center; justify-content: center;"> <span style="font-weight: bold; font-size: 1.2em;">01</span> Modification         </div> <div style="border: 1px solid blue; padding: 2px; display: flex; align-items: center; justify-content: center;"> <span style="font-weight: bold; font-size: 1.2em;">02</span> Workgroup Report         </div> <div style="border: 1px solid purple; padding: 2px; display: flex; align-items: center; justify-content: center;"> <span style="font-weight: bold; font-size: 1.2em;">03</span> Draft Modification Report         </div> <div style="border: 1px solid orange; padding: 2px; display: flex; align-items: center; justify-content: center;"> <span style="font-weight: bold; font-size: 1.2em;">04</span> Final Modification Report         </div> </div>
<p><b>Purpose of Modification:</b></p> <p>To make Ratchet charge changes during COVID-19 period to avoid the application of incentive charges where consumption at specific sites is increased above the agreed booked capacity to support local/national needs during the COVID-19 pandemic.</p>	
	<p>The Proposer recommends that this modification should be:</p> <ul style="list-style-type: none"> <li>treated as urgent and should proceed as such under a timetable agreed with the Authority</li> </ul>
	<p>High Impact: Shippers, Distribution Networks, NTS</p>
	<p>Medium Impact: Consumers (site specific)</p>
	<p>Low Impact: CDSP</p>

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Timetable			 07580 215743
<b>The Proposer recommends the following timetable:</b>			Transporter: <b>Northern Gas Networks</b>
Modification sent to Ofgem	21 April 2020		 <a href="mailto:trsaunders@northerngas.co.uk">trsaunders@northerngas.co.uk</a>
Ofgem decision on Urgency	22 April 2020		
Consultation commences ( <i>3 Business Day consultation</i> )	22 April 2020		 07580 215743
Consultation Close-out for representations	27 April 2020		Systems Provider: <b>Xoserve</b>
Final Modification Report available for Panel	28 April 2020		 <a href="mailto:UKLink@xoserve.com">UKLink@xoserve.com</a>
Modification Panel decision	30 April 2020		
Ofgem decision	01 May 2020		

## 1 Summary

### What

Under UNC Transporters Principle Document (TPD) Section B Transporters are obliged to calculate Ratchet Charges where a Class 1 or 2 site exceeds their booked capacity. As a result of the COVID-19 pandemic a number of sites are having to increase their production etc in order to support the local/national needs caused by the crisis. This includes, but is not limited to, medical facilities, food producers, manufacturers of medical supplies or other relevant equipment. Also a number of sites have changed their production purpose during this time to meet the needs of the NHS and other emergency services, eg exhibition spaces being utilised as temporary hospitals, breweries creating sanitiser sprays.

Usage over the booked capacity for these sites will not only see them incur ratchet charges for the period, they will also have an increased System Offtake Quantity (SOQ) after the COVID-19 period, without the need for the increased capacity after the crisis. This would result in additional capacity charges being incurred until they can request a decrease at the start of the SOQ reduction window in October 2020 or later should the crisis continue.

### Why

If the conditions in the UNC remain 'as is' these sites may incur Ratchet / CSEP overrun charges, where they would not be expected to under 'business as usual' conditions.

Sites that have had Ratchet increases to their SOQ due to increased consumption would be further impacted by not being able to reduce their SOQ back to pre COVID-19 levels until the capacity reduction window next opens in October 2020 and incur capacity charges without the need to use such capacity which could be seen as a disincentive to support the national needs.

### How

Adding a set of rules to the UNC Transition Document to alleviate Ratchet Charges and permanent changes to SOQ for sites that meet the 'COVID-19' criteria, for the period during which they qualify (the final date will be determined in line with government advice and requirements) A retrospective element will also be included to allow for these provisions to be backdated to cover the period from 23<sup>rd</sup> March 2020 as outlined in the Coronavirus Act 2020.

Transporters will apply a refund for sites that can demonstrate that their consumption has increased unusually during the Covid-19 period in relation to Ratchet charges or CSEP Overrun charges.

Sites identified above will also be able to apply for a SOQ reduction, to return their capacity to the pre COVID-19 level, whether they are within or outside of the capacity reduction window.

## 2 Governance

### Justification for Urgency

This Modification is proposing to amend the application of Ratchet Charges and the where the subsequent SOQ has increased due to a site supporting national needs against COVID-19, while also allowing the SOQ to be reduced following COVID-19. This is a material impact to both Shipper Users, Transporters and some consumers.

The impact of these additional charges may already be felt by some Shipper Users and end consumers, therefore due to COVID-19 being a temporary situation, and relief for some of this impact to these Shippers Users and consumers being required in the short term, this modification is proposed to follow urgency timetable as this is a current issue with a significant commercial impact on some Shipper Users and Consumers.

### Requested Next Steps

This Modification should:

- be treated as urgent and should proceed as such under a timetable agreed with the Authority.

## 3 Why Change?

Whilst COVID-19 is causing changes in consumption of gas in the short term, both increased and decreased consumption. This Modification proposal seeks to address the specific issue where Class 1 & 2 sites have increasing consumption due to assisting in the COVID-19 response effort, and where this increased consumption causes the site to Ratchet and incur Ratchet Charges. This Modification proposal also includes site specific CSEPS Overrun charges Overrun charges under the same basis.

Under UNC TPD Section B, Transporters are obliged to calculate Ratchet Charges where a Class 1 or 2 site exceeds their booked system capacity. During COVID-19 a number of sites are having to increase their production etc in order to support the local/national needs caused by the crisis. This includes, but is not limited to, medical facilities, food producers, manufacturers of medical supplies or other relevant equipment. A number of sites have changed their production purpose during this time to meet the needs of the NHS and other emergency services, e.g. exhibition spaces being utilised as temporary hospitals, breweries creating sanitiser sprays.

Usage over the booked capacity for these sites will not only see them incur Ratchet Charges for the period, they will also have an increased SOQ after the COVID-19 period, without a need to maintain the increased usage. This would result in additional capacity charges being incurred until they can request a decrease at the start of the SOQ reduction window in October 2020 or such later date should the pandemic persist.

If the conditions in the UNC remain 'as is' these sites may incur Ratchet / CSEP overrun charges, where they would not be expected to under 'business as usual' conditions and the incentive would not be working as intended under such conditions.

Sites that have had Ratchet increases to their SOQ due to increased consumption would be further impacted by not being able to reduce their SOQ back to pre COVID-19 levels until the capacity reduction window next opens in October 2020.

## 4 Code Specific Matters

### Reference Documents

None

### Knowledge/Skills

Knowledge of the UNC, especially in relation to Ratchets and Overrun charges

## 5 Solution

Where a Shipper User identifies a site as having increased consumption as a direct result of it assisting in the COVID-19 response, Shipper Users will be able to apply for the following Transitional rules to be applied. Applications, with supporting information, are to be made via Xoserve. Transporters decisions on the validity will be final.

The periods during which the a relevant Supply Point is deemed to be in a COVID-19 period for the purposes as outlined in COVID-19 specific Modifications are: Where any of the powers as laid out in the Coronavirus Act 2020 Schedule 22, (Powers to Issue Directions Relating to Events, Gatherings and Premises) are enacted for all or any of England, Scotland, Wales, then this will be deemed to be a COVID-19 Period for UNC purposes for the relevant Supply Point, when the Supply Point is situated in the a part of the UK for the period during which any of the powers enacted relevant to that part of the UK are in force.

### Class 1 Sites

Where a site Ratchets for a COVID-19 specific situation and period, the charge calculation (TPD B 4.7.7) multiplier would be a multiplier of 1

### Class 2 Sites

Where a site Ratchets for a COVID-19 specific situation and period, the charge calculation multiplier (TPD B 4.7.8 J) would be a multiplier of 1

### Site Specific CSEPs

Where a site Overrun charge for a COVID-19 specific situation and period occurs, the charge calculation multiplier (TPD B 4.8.3) would be a multiplier of 1

### All sites

Where the COVID-19 period end date falls outside of the SOQ reduction window any sites that fall into the above categories will be able to reduce their SOQ to the last SOQ on or before 23<sup>rd</sup> March 2020 anytime in the period no later than 30 days after the COVID-19 period end date.

## 6 Impacts & Other Considerations

### **Does this modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?**

This is a temporary solution, the rules introduced by this Modification are not intended to still be in place when Faster Switching legal text is introduced and therefore there should be no impact on the SCR.

### **Consumer Impacts**

This Modification will have a positive impact on those I&C sites and consumers that are assisting in the COVID-19 response and that might be subject to Ratchet Charges in such circumstances.

### **Cross Code Impacts**

IGTs may wish to consider a similar modification where applicable.

### **EU Code Impacts**

None

## Central Systems Impacts

No Central System impacts are intended, however manual process intervention will be required, as applicable, to cancel Ratchet Charges and to enable SOQ reduction outside of the SOQ reduction window.

## 7 Relevant Objectives

Impact of the modification on the Relevant Objectives:	
Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	Positive
b) Coordinated, efficient and economic operation of (i) the combined pipe-line system, and/ or (ii) the pipe-line system of one or more other relevant gas transporters.	None
c) Efficient discharge of the licensee's obligations.	None
d) Securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.	None
e) Provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards... are satisfied as respects the availability of gas to their domestic customers.	None
f) Promotion of efficiency in the implementation and administration of the Code.	None
g) Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.	None

Due to COVID-19 the gas industry is seeing a change in gas consumption; therefore this Modification proposal seeks to redress some of the economic impacts that this change is having across a wider industry and end consumers where their change in consumption behaviour is a direct response to assisting with the national need for COVID-19, therefore this Modification has a positive impact on Relevant Objective a.

## 8 Implementation

As urgency status is being requested, implementation could be as soon as authority approval is given.

## 9 Legal Text

### Text Commentary

Legal text has been published alongside this Modification.

### Text

Legal text has been published alongside this Modification.

## 10 Recommendations

### Proposer's Recommendation to the Authority

This Modification should be treated as urgent and proceed as such under a timetable agreed with the Authority.